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IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
Petitioner,

—v.—

GENENTECH, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether a State which decides to enforce a federal patent claim in federal court thereby consents to the exercise of federal authority over that claim and any compulsory federal or state law counterclaims for setoff or recoupment, to the full extent necessary for the complete determination of the claim?

2. Whether Public Law 102-560, which makes States subject to the patent laws to the same extent as any nongovernmental entity both with respect to infringement claims and "for any other violation" of the patent laws, abrogates a State's Eleventh Amendment immunity to suit in an action to declare the invalidity, non-enforceability and non-infringement of a patent which the State seeks to enforce?

3. Whether Public Law 102-560 is applicable to a suit which was pending at the time of the statute's enactment, where the suit requests prospective equitable relief based on violations of patent rights which began prior to the statute's enactment and continued thereafter?

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No. 93-1014

IN THE SUPREME COURT

of the

UNITED STATES

October Term, 1993

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
Petitioner,

vs.

GENENTECH, INC.,
Respondent,

Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

Genentech, Inc. ("Genentech") submits this brief in opposition to the Petition for a Writ of Certiorari filed on behalf of the Regents of the University of California.

STATEMENT OF THE CASE

The Regents of the University of California ("Petitioner" or "the University") own United States Patent No. 4,363,877, entitled "Recombinant DNA Transfer Vectors," granted December 14, 1982 ("the '877 patent"). It is undisputed that, before Genentech brought this declaratory judgment action, the University charged Genentech with infringement of the '877 patent (A-5)[1], and that, on the day after Genentech filed this action in Indiana, the University filed a patent infringement suit against Genentech in the United States District Court for the Northern District of California.

Genentech's Amended Complaint in this action includes, in addition to the declaratory judgment counts, "anticipatory" defenses and counterclaims to the University's charge of patent infringement, some arising under federal law, some under common law, and some under state statute. The University moved to dismiss the action as against it, arguing that the Eleventh Amendment made the University immune from suit on all of Genentech's claims. The University now argues that it remains immune from suit in this action despite the enactment of Public Law 102-560, and despite its own invocation of federal jurisdiction.[2] The

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[1] References are to the Appendix to the University's Petition for a Writ of Certiorari.

[2] The University clearly invoked federal jurisdiction when it brought a patent infringement action against Genentech. The Federal Circuit held correctly, however, that the University had invoked federal jurisdiction even before bringing its own lawsuit, by threatening to enforce the '877 patent against Genentech. Arrowhead Industrial Water, Inc. v. Ecolochem, Inc., 846 F. 2d 731, 736 (Fed. Cir. 1988); C.R. Bard, Inc. v. Schwartz, 716 F. 2d 874, 880 (Fed. Cir. 1983); A-18.

University contends that, by asserting an infringement claim in a federal forum, a State should, at most, be held to have waived its immunity only as to that claim, and as to "the federal defenses to enforcement of that claim, with state law claims restricted to the courts of that State." (Petition at 8)

The Federal Circuit disagreed. It held that Public Law 102-560 abrogated the University's immunity from suit in an action to declare the invalidity, non-infringement and unenforceability of a patent, and it held that, "When a state maintains a claim in federal court it thereby consents to the exercise of federal judicial authority over that claim 'to the full extent required for its complete determination.' Clark v. Barnard, 108 U.S. at 448." (A-22)

The University's petition is based primarily on a non-existent conflict between the Federal Circuit's decision and this Court's ruling in Pennhurst State School & Hospital v. Halderman, 465 U.S. 89 (1984). As Genentech will demonstrate in this brief, there is no conflict among circuits, and no conflict with any decision of this Court; nor is there any need for clarification or settlement of any principle of federal law. The Federal Circuit's decision as to waiver was based on well-settled rules which this Court recognized and reaffirmed in Pennhurst; and its decision on the scope and application of Public Law 102-560 was based upon equally well-settled rules of statutory construction applied to an unambiguous text.

REASONS WHY THE WRIT SHOULD NOT BE GRANTED

Rule 10 of this Court's rules states explicitly that, "A petition for a writ of certiorari will be granted only when there are special and important reasons therefor." Such reasons may include conflicts like those enumerated in the rule (e.g., conflicts among circuits or among state courts, Braxton v. United States, ____ U.S. ____, 111 S. Ct. 1854 (U.S. 1991)); or unsettled questions of

importance to the administration of federal law, United States v. Williams, ____ U.S. ____, 112 S. Ct. 1735 (U.S. 1992), citing Virginia Bankshares, Inc. v. Sandberg, ____ U.S. ____, 111 S. Ct. 2749, 2761, (1991). But if the question is academic, or important only to the parties, and not to the public, the writ should be denied. Rice v. Sioux City Memorial Park Cemetery, Inc., 349 U.S. 70 (1955).

Despite the University's efforts, it has failed to identify any genuine conflict, or any unsettled issue of public importance which would justify review by this Court.

I.

The University contends that, under the Federal Circuit's ruling, a State's decision to enforce its federal patent claims in federal court will result in a "compulsory, involuntary" waiver of its immunity from federal court litigation of state law claims, and that this result is in conflict with the Court's decision in Pennhurst. The Federal Circuit's ruling, however, neither ignored nor misinterpreted Pennhurst.

(a) The Federal Circuit based its ruling on what it described as "the Clark exception to Pennhurst," (A-25) referring to this Court's decision in Clark v. Barnard, 108 U.S. 436 (1883). In Clark, this Court held that, by asserting a claim to a fund that had been paid into the federal court, the State of Rhode Island waived its Eleventh Amendment immunity to suit by an adverse claimant to the fund. This Court stated:

> The immunity from suit belonging to a State, which is respected and protected by the Constitution within the limits of the judicial power of the United States, is a personal privilege which it may waive at pleasure. . . . In the present case, the State of Rhode Island appeared in the cause and presented and prosecuted a claim to the fund in

> controversy, and thereby made itself a party to the litigation to the full extent required for its complete determination.

108 U.S. at 447.

While the University attempts to dismiss Clark as an irrelevant relic from a more primitive pleading era (Petition at 13, n.8), this Court has not overruled or limited Clark. Indeed, Pennhurst itself acknowledged Clark's continuing authority. As the Court stated in Pennhurst:

> A sovereign's immunity may be waived, and the Court consistently has held that a State may consent to suit against it in federal court. See, e.g., Clark v. Barnard, 108 U.S. 436, 447 (1883).

The cases on which the Federal Circuit relied in holding that the University has waived immunity for all defenses and counterclaims required for the complete determination of the controversy do not ignore Pennhurst or the principles underlying it. In Pennhurst, the State did not initiate the action or threaten to enforce federal rights in a federal court. Thus, principles of federalism required that its immunity be preserved. As the Federal Circuit correctly noted, however, principles of federalism "do not prevent a person from defending against an action by the State." (A-22) Although the waiver which results from that action may be automatic, and may be compelled by the requirements of fairness and due process, it is not "involuntary," and it is not in conflict with Pennhurst.

(b) Recognizing that it cannot invoke federal jurisdiction to enforce federal rights without waiving its Eleventh Amendment immunity to some degree, the University asks this Court to adopt a new rule which would restrict the waiver to "the federal claim that the State is forced to litigate in that forum and the federal defenses to enforcement of that claim." (Petition at 8) Not

only would such a rule interfere with the "complete determination" of the action in one court, and give a "procedural advantage" to state claimants; it would invite the kind of hair-splitting which would lead inevitably to confusion and uncertainty. Under the University's proposed new rule, for example, it is unclear what would happen to a state law claim which arises out of the very same facts as a federal claim or defense.

The rule which the Federal Circuit applied is well-settled[3] and clear; the Federal Circuit used a test which is familiar to courts and litigants, namely the test prescribed by Federal Rule 13(a) for determining whether a counterclaim is compulsory. As the Federal Circuit concluded, "The controlling factor is whether the counterclaim arose out of the same transaction or occurrence." (A-24) If so, then the State's waiver of immunity should extend to that claim to the extent of making it available for setoff or recoupment.

(c) Finally, although the Federal Circuit held that Genentech is now permitted to bring "compulsory counterclaims that are suitable for recoupment of damages that may be assessed against it," (A-26) the Federal Circuit did not decide which of Genentech's defenses and counterclaims would meet this test. Instead, it remanded the action to the district court for further pleadings, and for a determination of which claims and defenses would meet the prescribed criteria. Prior to that determination, any review by this Court would be premature.

II.

The Federal Circuit based its reinstatement of Genentech's declaratory judgment claim on Public Law 102-560, (and particu-

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[3] The University concedes that the lower courts which have decided this issue are in agreement and that they "routinely" permit state law counterclaims against a state. (Petition at 7)

larly on 35 U.S.C. §§ 271(h) and 296(a) and (b)), which was adopted and became effective while the appeal to the Federal Circuit was pending. The University contends that the Federal Circuit misapplied the new statute, and that it abrogates Eleventh Amendment immunity only to the extent of permitting States to be sued for patent infringement.[4]

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[4] The University apparently does not challenge the power of Congress to abrogate Eleventh Amendment immunity in the patent area. This Court has already held that, in exercising its plenary power under Article I to regulate commerce, Congress has the authority to override the States' Eleventh Amendment immunity. Pennsylvania v. Union Gas Company, 491 U.S. 1 (1989). The same rationale applies to congressional power under Article I to enact patent legislation. As this Court said with respect to the commerce power:

> We have recognized that the States enjoy no immunity where there has been a " 'surrender of this immunity in the plan of the convention.' " . . . Because the Commerce Clause withholds power from the States at the same time as it confers it on Congress, and because the congressional power thus conferred would be incomplete without the authority to render States liable in damages, it must be that, to the extent that the States gave Congress the authority to regulate commerce, they also relinquished their immunity where Congress found it necessary, in exercising this authority, to render them liable. The States held liable under such a congressional enactment are thus not "unconsenting"; they

The University bases its argument on the section headings of the new statute, but ignores the text. While the section headings refer only to infringement, the statute itself clearly sets out two provisions which the University's interpretation would render meaningless.

First, the law added 35 U.S.C. § 271(h) which unambiguously states the congressional purpose that States shall be treated like all other litigants in patent matters. That new subsection contains two sentences, the first applying to "this section," and the second applying more broadly to "this title":

> (h) As used in this section, the term 'whoever' includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any state, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

35 U.S.C. § 271(h) (emphasis added). If the intent of Congress was simply to make states liable for patent infringement, the first sentence of § 271(h) would have been sufficient, since § 271 deals with infringement actions. The second sentence would have been wholly unnecessary. The second sentence, however, makes it clear that Congress intended to expand more than just the infringement remedies provided under § 271 and to make the states equal to

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> gave their consent all at once, in ratifying the Constitution containing the Commerce Clause, rather than on a case-by-case basis.

Id. at 19-20 (citations omitted). The very same things can be said about congressional power to grant and regulate patents.

nongovernmental entities with respect to all of the provisions of "this title." The University's Petition avoids any mention of this provision.

Second, the law added § 296, which explicitly abrogates Eleventh Amendment immunity "from suit in Federal Court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271, or for any other violation under this title."(emphasis added) The same section provides that remedies in such a suit, "are available for the violation to the same extent as such remedies are available for such a violation in a suit against any private entity." The University's Petition fails to offer any explanation as to what Congress meant by the phrase "any other violation." If Congress intended to abrogate immunity only for infringement claims, then the phrase would have been unnecessary.

The Federal Circuit correctly held that the text of the new statute was not limited to claims of infringement against the State, and that it was designed to put governmental and nongovernmental entities on an equal footing under the patent laws (a point which Congress repeated in three different places in the new law). The Federal Circuit's decision was in accord with well-settled rules of statutory construction. These rules require that the text of the statute itself shall control over legislative history and section headings, unless the text is ambiguous. United States v. Rutherford, 442 U.S. 544 (1979); Brotherhood of R.R. Trainmen v. Baltimore & O.R. Co., 331 U.S. 519, 528-29 (1947); Caminetti v. United States, 242 U.S. 470, 490 (1917). And they require that the statute be interpreted so as to give effect to each of its provisions. United States v. Nordic Village, Inc., 112 S. Ct. 1011 (U.S. 1992); Colautti v. Franklin, 439 U.S. 379 (1979); United States v. Menasche, 348 U.S. 528 (1955).

The University's interpretation of Public Law 102-560 violates these basic principles of statutory construction. By arguing that Congress intended to make states liable to suits brought to enforce a patent, but not to suits brought to declare a

patent invalid, unenforceable or not infringed, the University is again inviting hair-splitting, confusion and uncertainty. There is no ambiguity about the text or purpose of the statute, and the Federal Circuit needs no guidance in interpreting it.

III.

Finally, the University argues that the Federal Circuit erred in applying Public Law 102-560 to Genentech's pending declaratory judgment action. The statute provides that:

> The amendments made by this Act shall take effect with respect to violations that occur on or after the date of the enactment of this Act.

The Federal Circuit ruled, however, that "violations of patent rights are continuing events," and that, in the absence of "manifest injustice" the new statute should be applied to this case. (A-19)

In its struggle to establish that the Federal Circuit's application of the new law was improperly "retroactive," the University argues that the Federal Circuit's ruling "permit[s] equitable relief before the effective date of the abrogating legislation. . . ." (Petition at 15) The argument makes no sense. The Federal Circuit clearly ruled that Public Law 102-560 could not support a damage award for violations which took place prior to the effective date, (A-19) and its ruling does not authorize the district court to enter such a "retroactive" award. Moreover, equitable relief, by its nature, is prospective. Thus, under the circumstances, it would make no sense to require dismissal of the declaratory judgment count only so that it could be refiled.

As this Court said in Rice v. Sioux City Memorial Park Cemetery, Inc., 349 U.S. at 74:

> A federal question raised by a petitioner may be "of substance" in the sense that, abstractly considered, it may present an intellectually interesting

> and solid problem. But this Court does not sit to satisfy a scholarly interest in such issues. Nor does it sit for the benefit of the particular litigants. . . . "Special and important reasons" imply a reach to a problem beyond the academic or the episodic. (Citations omitted).

Even if the Federal Circuit erred in failing to dismiss Genentech's declaratory judgment action so that it could be refiled on the basis of the University's continuing violation of the patent laws, the issue does not merit review by this Court.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully Submitted

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